

Loa Town  
Wayne County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2006

Loa Town  
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June 30, 2006

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# *Kimball & Roberts*

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*A Professional Corporation*

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*Richfield, Utah 84701*

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Honorable Mayor and Town Council  
Loa Town  
Loa, Utah 84747

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Loa Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Loa Town.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management discussion and analysis, condition assessment of the Town's infrastructure and budgetary comparison information on pages 5 through 11 and 41, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

January 23, 2007  
Richfield, Utah

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Loa Town  
**Management's Discussion and Analysis**  
June 30, 2006

As management of Loa Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2006.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets for the Town as a whole increased by \$54,806.
- \*Total unrestricted net assets for the Town as a whole increased by \$41,371.
- \*Total net assets for governmental activities increased by \$55,264.
- \*Total net assets for business-type activities decreased by \$458.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Loa Town. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.

Loa Town  
**Management's Discussion and Analysis**  
June 30, 2006

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town's general fund is its only major governmental fund. The capital projects fund is reported as non-major.

The Town adopts an annual appropriated budget for its general and capital project funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

**Proprietary funds.** The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses two enterprise funds to account for the operations of the water and landfill utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the Town.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.

Loa Town  
Management's Discussion and Analysis  
June 30, 2006

**FINANCIAL ANALYSIS**

**Loa Town's Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Current and other assets	\$ 429,444	346,625	350,030	348,378	779,474	695,003
Capital assets	<u>646,074</u>	<u>673,921</u>	<u>745,408</u>	<u>770,200</u>	<u>1,391,482</u>	<u>1,444,121</u>
<b>Total assets</b>	<b><u>1,075,518</u></b>	<b><u>1,020,546</u></b>	<b><u>1,095,438</u></b>	<b><u>1,118,578</u></b>	<b><u>2,170,956</u></b>	<b><u>2,139,124</u></b>
Long-term liabilities	66,491	67,700	390,000	410,000	456,491	477,700
Other liabilities	<u>4,036</u>	<u>3,118</u>	<u>3,276</u>	<u>5,958</u>	<u>7,312</u>	<u>9,077</u>
<b>Total liabilities</b>	<b><u>70,527</u></b>	<b><u>70,818</u></b>	<b><u>393,276</u></b>	<b><u>415,958</u></b>	<b><u>463,803</u></b>	<b><u>486,777</u></b>
Net assets:						
Invested in capital assets, net of debt	579,583	606,221	355,408	360,200	934,991	966,421
Restricted	126,017	89,047	14,333	6,438	140,350	95,485
Unrestricted	<u>299,391</u>	<u>254,459</u>	<u>332,421</u>	<u>335,981</u>	<u>631,812</u>	<u>590,441</u>
<b>Total net assets</b>	<b><u>\$1,004,991</u></b>	<b><u>949,727</u></b>	<b><u>702,162</u></b>	<b><u>702,620</u></b>	<b><u>1,707,153</u></b>	<b><u>1,652,347</u></b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$1,707,153, an increase from the previous year of \$54,806. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$631,812, which represents an increase of \$41,371 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Loa Town  
**Management's Discussion and Analysis**  
June 30, 2006

**FINANCIAL ANALYSIS (continued)**

**Loa Town's Changes in Net Assets:**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
<b>Program revenues:</b>						
Charges for services	\$ 8,857	9,552	92,506	87,922	101,363	97,474
Operating grants	39,353	33,293	-	-	39,353	33,293
Capital grants	3,225	-	-	4,284	3,225	4,284
<b>General revenues:</b>						
Property taxes	9,383	8,324	-	-	9,383	8,324
Sales taxes	98,692	99,196	-	-	98,692	99,196
Franchise taxes	492	366	-	-	492	366
Other revenues	<u>18,059</u>	<u>4,643</u>	<u>354</u>	<u>3,736</u>	<u>18,413</u>	<u>8,380</u>
<b>Total revenues</b>	<b><u>178,061</u></b>	<b><u>155,373</u></b>	<b><u>92,859</u></b>	<b><u>95,942</u></b>	<b><u>270,921</u></b>	<b><u>251,315</u></b>
<b>Expenses:</b>						
Administration	62,405	42,801	-	-	62,405	42,801
Public safety	15,477	16,264	-	-	15,477	16,264
Streets and highways	35,174	41,713	-	-	35,174	41,713
Parks and recreation	6,245	8,910	-	-	6,245	8,910
Cemetery	3,497	1,935	-	-	3,497	1,935
Water	-	-	85,345	71,647	85,345	71,647
Irrigation	-	-	<u>7,973</u>	<u>1,713</u>	<u>7,973</u>	<u>1,713</u>
<b>Total expenses</b>	<b><u>122,798</u></b>	<b><u>111,624</u></b>	<b><u>93,317</u></b>	<b><u>73,360</u></b>	<b><u>216,115</u></b>	<b><u>184,984</u></b>
<b>Excess (deficiency) before transfers</b>	<b>55,264</b>	<b>43,749</b>	<b>(458)</b>	<b>22,582</b>	<b>54,806</b>	<b>66,330</b>
Transfers	-	-	-	-	-	-
<b>Increase (decrease) in net assets</b>	<b><u>\$55,264</u></b>	<b><u>43,749</u></b>	<b><u>(458)</u></b>	<b><u>22,582</u></b>	<b><u>54,806</u></b>	<b><u>66,330</u></b>

Total revenues increased by \$19,606, while total expenses increased by \$31,130. The total net increase for the year of \$54,806 is a decrease from the previous year of \$11,524.

Governmental activities revenues of \$178,061 is an increase of \$22,688 from the previous year. This is primarily a result of an increase in interest revenue. Governmental activities expenses of \$122,798 is an increase of \$11,173 from the previous year. This is a mainly a result of expenses towards sidewalk improvements.

Business-type activities revenue of \$92,859 is a decrease of \$3,082 from the previous year. Business-type activities expenses of \$93,317 is an increase of \$19,957 from the previous year.

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**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts are described below:

*General Fund*

The fund balance in the general fund of \$348,473 reflects an increase of \$81,557 from the previous year. Reservations in the general fund at year end amount to \$126,017 for debt service, revolving loans, and Class C roads.

*Water Fund*

Unrestricted net assets at the end of the year were \$319,426. This is a decrease of \$5,627 from the previous year. Reservations in the water fund at year end amount to \$14,333 for debt service.

*Irrigation Fund*

Unrestricted net assets at the end of the year were \$12,994. This is an increase of \$2,066 from the previous year. There are no reservations in the irrigation fund at year end.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$139,340. This amount was changed in the final budget to \$150,340.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$120,100. This amount was amended in the final budget to \$131,100.

There were no transfers for the year.

Loa Town  
**Management's Discussion and Analysis**  
June 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Loa Town's Capital Assets (net of depreciation):**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Prior Year</u>
<b>Net Capital Assets:</b>						
Land and water rights	\$ 21,720	21,720	-	-	21,720	21,720
Buildings	286,330	295,813	-	-	286,330	295,813
Improvements other than buildings	18,750	20,000	-	-	18,750	20,000
Equipment	48,218	51,578	-	-	48,218	51,578
Infrastructure	250,660	284,810	-	-	250,660	284,810
Water system	-	-	737,553	762,018	737,553	762,018
Irrigation system	-	-	7,855	8,183	7,855	8,183
Work in progress	<u>20,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,396</u>	<u>-</u>
<b>Totals</b>	<b><u>\$646,074</u></b>	<b><u>673,921</u></b>	<b><u>745,408</u></b>	<b><u>770,200</u></b>	<b><u>1,391,482</u></b>	<b><u>1,444,121</u></b>

The total amount of capital assets, net of depreciation, of \$1,391,482 is a decrease of \$52,639 from the previous year.

Governmental activities capital assets, net of depreciation, of \$646,074 is a decrease of \$27,847 from the previous year.

Business-type activities capital assets, net of depreciation, of \$745,408 is a decrease of \$24,792 from the previous year.

Additional information regarding capital assets may be found in the notes to financial statements.

Loa Town  
Management's Discussion and Analysis  
June 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Loa Town's Outstanding Debt - Revenue Bonds**

	Current Year	Previous Year
Governmental activities:		
Public safety RDA 2002	\$66,491	67,700
<b>Total governmental activities long-term debt</b>	<b><u>66,491</u></b>	<b><u>67,700</u></b>
Business-type activities:		
Water 2002A	210,000	220,000
Water 2002B	180,000	190,000
<b>Total business-type activities long-term debt</b>	<b><u>390,000</u></b>	<b><u>410,000</u></b>
<b>Total long-term obligations</b>	<b><u>\$456,491</u></b>	<b><u>477,700</u></b>

Principal was repaid on governmental bonds in the amount of \$1,209. Principal was repaid on the business-type bonds in the amount of \$20,000. Total outstanding debt decreased by \$21,209.

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Tax rates are expected to stay the same and no significant economic changes that would affect the Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Loa Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Loa Town Clerk, P.O. Box 183, Loa, Utah, 84747.

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## **BASIC FINANCIAL STATEMENTS**

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Loa Town  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 400,819	311,342	712,161
Accounts receivable, net	27,358	24,354	51,713
Total current assets	<u>428,177</u>	<u>335,697</u>	<u>763,874</u>
Non-current assets:			
Restricted cash and cash equivalents	1,267	14,333	15,600
Capital assets:			
Not being depreciated	42,116	-	42,116
Net of accumulated depreciation	<u>603,958</u>	<u>745,408</u>	<u>1,349,366</u>
Total non-current assets	<u>647,341</u>	<u>759,741</u>	<u>1,407,082</u>
<b>Total assets</b>	<b><u>1,075,518</u></b>	<b><u>1,095,438</u></b>	<b><u>2,170,956</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	1,668	213	1,882
Accrued interest payable	2,368	3,063	5,431
Revenue bonds due within one year	<u>1,267</u>	<u>20,000</u>	<u>21,267</u>
Total current liabilities	<u>5,303</u>	<u>23,276</u>	<u>28,579</u>
Non-current liabilities:			
Revenue bonds due after one year	<u>65,224</u>	<u>370,000</u>	<u>435,224</u>
Total non-current liabilities	<u>65,224</u>	<u>370,000</u>	<u>435,224</u>
<b>Total liabilities</b>	<b><u>70,527</u></b>	<b><u>393,276</u></b>	<b><u>463,803</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt:	579,583	355,408	934,991
Restricted:			
Debt service	1,267	14,333	15,600
Revolving loans	62,750	-	62,750
Class C roads	62,000	-	62,000
Unrestricted	<u>299,391</u>	<u>332,421</u>	<u>631,812</u>
<b>Total net assets</b>	<b><u>1,004,991</u></b>	<b><u>702,162</u></b>	<b><u>1,707,153</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$1,075,518</u></b>	<b><u>1,095,438</u></b>	<b><u>2,170,956</u></b>

The notes to the financial statements are an integral part of this statement.

Loa Town  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2006

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Net (Expense) Revenue (To Next Page)
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
<b>Primary government:</b>					
Governmental activities:					
Administration	\$ 62,405	5,507	-	-	(56,898)
Public safety - fire	12,305	-	1,492	-	(10,813)
Streets and highways	35,174	-	41,786	-	6,612
Cemetery	3,497	2,650	-	-	(847)
Parks and recreation	6,245	-	-	-	(6,245)
Interest on long-term debt	<u>3,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,172)</u>
<b>Total governmental activities</b>	<b><u>122,798</u></b>	<b><u>8,157</u></b>	<b><u>43,278</u></b>	<b><u>-</u></b>	<b><u>(71,363)</u></b>
Business-type activities:					
Water	85,345	83,015	-	-	(2,330)
Irrigation	<u>7,973</u>	<u>9,712</u>	<u>-</u>	<u>-</u>	<u>1,739</u>
<b>Total business-type activities</b>	<b><u>93,317</u></b>	<b><u>92,726</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(591)</u></b>
<b>Total primary government</b>	<b><u>\$216,115</u></b>	<b><u>100,883</u></b>	<b><u>43,278</u></b>	<b><u>-</u></b>	<b><u>(71,954)</u></b>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Loa Town  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>CHANGE IN NET ASSETS:</b>			
Net (expense) revenue (from previous page)	\$ <u>(71,363)</u>	<u>(591)</u>	<u>(71,954)</u>
<b>General revenues:</b>			
Property taxes	9,383	-	9,383
Sales taxes	98,692	-	98,692
Other taxes	492	-	492
Unrestricted investment earnings	16,118	133	16,251
Miscellaneous	<u>1,941</u>	<u>-</u>	<u>1,941</u>
<b>Total general revenues</b>	<b><u>126,627</u></b>	<b><u>133</u></b>	<b><u>126,760</u></b>
<b>Change in net assets</b>	<b>55,264</b>	<b>(458)</b>	<b>54,806</b>
Net assets - beginning	<u>949,727</u>	<u>702,620</u>	<u>1,652,347</u>
<b>Net assets - ending</b>	<b><u>\$1,004,991</u></b>	<b><u>702,162</u></b>	<b><u>1,707,153</u></b>

The notes to the financial statements are an integral part of this statement.

Loa Town  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental
<b>ASSETS:</b>			
Cash and cash equivalents	\$321,516	79,304	400,819
Receivables, net	27,358	-	27,358
Restricted cash and cash equivalents	<u>1,267</u>	<u>-</u>	<u>1,267</u>
<b>TOTAL ASSETS</b>	<b><u>350,141</u></b>	<b><u>79,304</u></b>	<b><u>429,444</u></b>
<b>LIABILITIES:</b>			
Accounts payable	<u>1,668</u>	<u>-</u>	<u>1,668</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,668</u></b>	<b><u>-</u></b>	<b><u>1,668</u></b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt service	1,267	-	1,267
Revolving loans	62,750	-	62,750
Class C roads	62,000	-	62,000
Unreserved, reported in:			
General fund	222,456	-	222,456
Other governmental funds	<u>-</u>	<u>79,304</u>	<u>79,304</u>
<b>TOTAL FUND BALANCES</b>	<b><u>348,473</u></b>	<b><u>79,304</u></b>	<b><u>427,776</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$350,141</u></b>	<b><u>79,304</u></b>	<b><u>429,444</u></b>

The notes to the financial statements are an integral part of this statement.

Loa Town  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property	\$ 9,383	-	9,383
Sales	98,692	-	98,692
Other taxes	492	-	492
Licenses and permits	5,507	-	5,507
Intergovernmental revenues	42,578	-	42,578
Charges for services	3,050	300	3,350
Interest	16,118	-	16,118
Miscellaneous revenue	<u>1,941</u>	<u>-</u>	<u>1,941</u>
<b>Total revenues</b>	<b><u>177,761</u></b>	<b><u>300</u></b>	<b><u>178,061</u></b>
<b>EXPENDITURES:</b>			
Current:			
General government	61,030	-	61,030
Public safety	3,844	-	3,844
Highways and public improvements	1,025	-	1,025
Parks, recreation and public property	1,988	-	1,988
Cemetery	3,497	-	3,497
Capital outlay	20,396	-	20,396
Debt service:			
Principal	1,209	-	1,209
Interest	<u>3,216</u>	<u>-</u>	<u>3,216</u>
<b>Total expenditures</b>	<b><u>96,204</u></b>	<b><u>-</u></b>	<b><u>96,204</u></b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b><u>81,557</u></b>	<b><u>300</u></b>	<b><u>81,857</u></b>
<b>Net Change in Fund Balances</b>	<b>81,557</b>	<b>300</b>	<b>81,857</b>
Fund balances - beginning of year	<u>266,915</u>	<u>79,004</u>	<u>345,919</u>
<b>Fund Balances - end of year</b>	<b><u>\$348,473</u></b>	<b><u>79,304</u></b>	<b><u>427,776</u></b>

The notes to the financial statements are an integral part of this statement.

Loa Town  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2006

**Total Fund Balances for Governmental Funds** **\$ 427,776**

Total net assets reported for governmental activities in the statement  
are different because:

Capital assets used in governmental funds are not financial resources and  
therefore are not reported in the funds.

Capital assets, at cost	1,220,035
Less accumulated depreciation	<u>(573,961)</u>
Net capital assets	<u>646,074</u>

Long-term debt, for funds other than enterprise funds, are recorded in  
the government-wide statements but not in the fund statements.

General long-term debt	<u>(66,491)</u>
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Interest accrued but not yet paid on general long-term debt	<u>(2,368)</u>
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**Total Net Assets of Governmental Activities** **\$ 1,004,991**

The notes to the financial statements are an integral part of this statement.

Loa Town  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
June 30, 2006

**Net Change in Fund Balances - Total Governmental Funds** **\$81,857**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	20,396
Depreciation expense	<u>(48,243)</u>
Net	<u>(27,846)</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

<b>Long-term debt principal repayments</b>	<b>1,209</b>
--	--------------

Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.

<b>Accrued interest on long-term debt at end of period</b>	<b><u>44</u></b>
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**Change in Net Assets of Governmental Activities** **\$55,264**

The notes to the financial statements are an integral part of this statement.

Loa Town  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
June 30, 2006

	<u>Water Fund</u>	<u>Irrigation Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 298,348	12,994	311,342
Accounts receivable, net	<u>24,354</u>	<u>-</u>	<u>24,354</u>
Total current assets	<u>322,702</u>	<u>12,994</u>	<u>335,697</u>
Non-current assets:			
Restricted cash and cash equivalents	14,333	-	14,333
Capital assets:			
Not being depreciated	-	-	-
Net of accumulated depreciation	<u>737,553</u>	<u>7,855</u>	<u>745,408</u>
Total non-current assets	<u>751,886</u>	<u>7,855</u>	<u>759,741</u>
<b>Total assets</b>	<b><u>1,074,588</u></b>	<b><u>20,850</u></b>	<b><u>1,095,438</u></b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	213	-	213
Accrued interest payable	3,063	-	3,063
Revenue bonds, current portion	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total current liabilities	<u>23,276</u>	<u>-</u>	<u>23,276</u>
Non-current liabilities:			
Revenue bonds, long-term	<u>370,000</u>	<u>-</u>	<u>370,000</u>
Total non-current liabilities	<u>370,000</u>	<u>-</u>	<u>370,000</u>
<b>Total liabilities</b>	<b><u>393,276</u></b>	<b><u>-</u></b>	<b><u>393,276</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	347,553	7,855	355,408
Restricted for:			
Debt service	14,333	-	14,333
Unrestricted	<u>319,426</u>	<u>12,994</u>	<u>332,421</u>
Total net assets	<u>681,312</u>	<u>20,850</u>	<u>702,162</u>
<b>Total liabilities and net assets</b>	<b><u>\$1,074,588</u></b>	<b><u>20,850</u></b>	<b><u>1,095,438</u></b>

The notes to the financial statements are an integral part of this statement.

Loa Town  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2006

	Water Fund	Irrigation Fund	Total
<b>Operating income:</b>			
Charges for services	\$ 82,794	9,712	92,506
Other operating income	<u>220</u>	<u>-</u>	<u>220</u>
<b>Total operating income</b>	<b><u>83,015</u></b>	<b><u>9,712</u></b>	<b><u>92,726</u></b>
<b>Operating expenses:</b>			
Personal services	16,829	-	16,829
Utilities	2,355	7,645	10,001
Repairs and maintenance	30,135	-	30,135
Other supplies and expenses	8,957	-	8,957
Depreciation expense	<u>24,465</u>	<u>327</u>	<u>24,792</u>
<b>Total operating expense</b>	<b><u>82,740</u></b>	<b><u>7,973</u></b>	<b><u>90,713</u></b>
<b>Net operating income (loss)</b>	<b><u>274</u></b>	<b><u>1,739</u></b>	<b><u>2,013</u></b>
<b>Non-operating income (expense):</b>			
Interest income	133	-	133
Interest on long-term debt	<u>(2,604)</u>	<u>-</u>	<u>(2,604)</u>
<b>Total non-operating income (expense)</b>	<b><u>(2,471)</u></b>	<b><u>-</u></b>	<b><u>(2,471)</u></b>
<b>Change in net assets</b>	<b>(2,197)</b>	<b>1,739</b>	<b>(458)</b>
<b>Net assets, beginning</b>	<b><u>683,509</u></b>	<b><u>19,111</u></b>	<b><u>702,620</u></b>
<b>Net assets, ending</b>	<b><u>\$681,312</u></b>	<b><u>20,850</u></b>	<b><u>702,162</u></b>

The notes to the financial statements are an integral part of this statement.

Loa Town  
**STATEMENT OF CASH FLOWS**  
For the year ending June 30, 2006

	Water Fund	Irrigation Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers - service	\$ 76,082	9,712	85,793
Cash paid to suppliers	(41,534)	(7,645)	(49,179)
Cash paid to employees	(16,529)	-	(16,529)
<b>Net cash provided (used) in operating activities</b>	<b><u>18,019</u></b>	<b><u>2,066</u></b>	<b><u>20,086</u></b>
<b>Cash flows from noncapital financing activities:</b>			
<b>Net cash provided (used) in noncapital financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash payments for long-term debt	(20,000)	-	(20,000)
Cash payments for long-term debt interest	(5,500)	-	(5,500)
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>(25,500)</u></b>	<u>-</u>	<b><u>(25,500)</u></b>
<b>Cash flows from investing activities:</b>			
Cash received from interest earned	133	-	133
<b>Net cash provided (used) in investing activities</b>	<b><u>133</u></b>	<u>-</u>	<b><u>133</u></b>
<b>Net increase (decrease) in cash</b>	<b>(7,347)</b>	<b>2,066</b>	<b>(5,281)</b>
Cash balance, beginning	320,028	10,928	330,956
<b>Cash balance, ending</b>	<b><u>\$312,681</u></b>	<b><u>12,994</u></b>	<b><u>325,675</u></b>
<b>Cash reported on the balance sheet:</b>			
Cash and cash equivalents	\$298,348	12,994	311,342
Non-current restricted cash	14,333	-	14,333
<b>Total cash and cash equivalents</b>	<b><u>\$312,681</u></b>	<b><u>12,994</u></b>	<b><u>325,675</u></b>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Loa Town  
**STATEMENT OF CASH FLOWS, continued**  
For the year ended June 30, 2006

**Reconciliation of Operating Income  
to Net Cash Provided from Operating Activity:**

	<u>Water Fund</u>	<u>Irrigation Fund</u>	<u>Total</u>
<b>Net operating income (expense)</b>	<b>\$ <u>274</u></b>	<b><u>1,739</u></b>	<b><u>2,013</u></b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	24,465	327	24,792
Changes in assets and liabilities:			
(Increase) decrease in receivables	(6,933)	-	(6,933)
Increase (decrease) in payables	<u>213</u>	<u>-</u>	<u>213</u>
<b>Net cash provided in operating activity</b>	<b><u>\$18,019</u></b>	<b><u>2,066</u></b>	<b><u>20,086</u></b>

The notes to the financial statements are an integral part of this statement.

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Loa Town, (the Town), a municipal corporation located in Wayne County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable.

The Town has no component units and is not a component unit of another entity.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)**

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

**1-D. Fund types and major funds**

*Governmental funds*

**The Town reports the following major governmental fund:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Town reports the following non-major governmental fund:**

The *capital projects fund* accounts for capital projects and overhead that can be submitted to grantors for reimbursement.

The *cemetery fund* accounts for money received for upkeep and perpetual care of cemetery plots.

*Proprietary funds*

**The Town reports the following major proprietary funds:**

The *water fund* is used to account for the activities of the culinary water distribution.

The *irrigation fund* is used to account for the operations of the irrigation system.

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-1. Deposit and Investments**

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the Town are accounts at the Utah Public Treasurers Investments' Fund. Additional information is contained in Note 2.

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-2. Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are considered collectible.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to* or *due from other funds*.

Property taxes are assessed and collected for the Town by Wayne County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	30-40
Improvements	20
Water system	40
Infrastructure	20
Vehicles and equipment	5-10

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-8. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the city Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund.. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the Town Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

None of the Town's funds have deficit balances.

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2006 consist of the following:

	<u>Fair Value</u>
Cash on hand	-
Demand deposits - checking	\$223,984
Savings	149,740
Investments - PTIF	<u>354,038</u>
<b>Total cash and investments</b>	<b><u>\$727,761</u></b>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$712,161
Restricted cash and cash equivalents (non-current)	<u>15,600</u>
<b>Total cash and cash equivalents</b>	<b><u>\$727,761</u></b>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. Maturities of investments in the PTIF are less than one year and the balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Town maintains monies not immediately needed for expenditure in PTIF and FDIC insured bank savings accounts.

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-A. Deposits and investments (continued)**

**Deposit and Investment Risk**

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the Town are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Demand and savings deposits are covered by FDIC insurance in the amount of \$200,000. Amounts of demand and savings deposits not covered total to \$184,974.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Accounts not expected to be collected within one year are captioned as non-current receivables. Receivables as of year end for the Town's funds are shown below.

	General Fund	Water	Irrigation	Total
Due from other governments	\$27,358	-	-	27,358
Customers, current	-	24,354	-	24,354
Customers, non-current	-	-	-	-
<b>Total receivables</b>	<b><u>\$27,358</u></b>	<b><u>24,354</u></b>	<b><u>-</u></b>	<b><u>51,713</u></b>

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 21,720	-	-	21,720
Construction in progress	<u>-</u>	<u>20,396</u>	<u>-</u>	<u>20,396</u>
<b>Total capital assets, not being depreciated</b>	<b><u>21,720</u></b>	<b><u>20,396</u></b>	<b><u>-</u></b>	<b><u>42,116</u></b>
Capital assets, being depreciated:				
Buildings	394,330	-	-	394,330
Improvements other than buildings	25,000	-	-	25,000
Machinery and equipment	75,600	-	-	75,600
Infrastructure	<u>682,989</u>	<u>-</u>	<u>-</u>	<u>682,989</u>
<b>Total capital assets, being depreciated</b>	<b><u>1,177,919</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,177,919</u></b>
Less accumulated depreciation for:				
Buildings	98,517	9,483	-	108,000
Improvements other than buildings	5,000	1,250	-	6,250
Machinery and equipment	24,022	3,360	-	27,382
Infrastructure	<u>398,179</u>	<u>34,149</u>	<u>-</u>	<u>432,329</u>
<b>Total accumulated depreciation</b>	<b><u>525,718</u></b>	<b><u>48,243</u></b>	<b><u>-</u></b>	<b><u>573,961</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>652,201</u></b>	<b><u>(48,243)</u></b>	<b><u>-</u></b>	<b><u>603,958</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$673,921</u></b>	<b><u>(27,847)</u></b>	<b><u>-</u></b>	<b><u>646,074</u></b>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

<b>Governmental Activities:</b>	
General government	\$ 1,375
Public safety - fire	8,461
Highways and public improvements	34,149
Parks, recreation and public property	<u>4,257</u>
<b>Total</b>	<b><u>\$48,243</u></b>

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-C. Capital assets, continued**

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Water fund:				
Buildings	\$ 22,311	-	-	22,311
Water distribution system	948,833	-	-	948,833
Irrigation fund:				
Irrigation distribution system	<u>8,183</u>	<u>-</u>	<u>-</u>	<u>8,183</u>
<b>Total capital assets being depreciated</b>	<b><u>979,327</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>979,327</u></b>
Less accumulated depreciation for:				
Water system	209,127	24,465	-	233,591
Irrigation	<u>-</u>	<u>327</u>	<u>-</u>	<u>327</u>
<b>Total accumulated depreciation</b>	<b><u>209,127</u></b>	<b><u>24,792</u></b>	<b><u>-</u></b>	<b><u>233,918</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>770,200</u></b>	<b><u>(24,792)</u></b>	<b><u>-</u></b>	<b><u>745,408</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$770,200</u></b>	<b><u>(24,792)</u></b>	<b><u>-</u></b>	<b><u>745,408</u></b>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-Type Activities:</b>	
Water	\$24,465
Irrigation	<u>327</u>
<b>Total</b>	<b><u>\$24,792</u></b>

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-D. Long-term debt**

Long-term debt activity for the year was as follows:

	<u>Original</u>	<u>%</u>				<u>Due</u>
	<u>Principal</u>	<u>Rate</u>	<u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Within</u>
<u>Governmental activities:</u>						<u>One Year</u>
Public Safety 2002 USDA	\$70,000	4.75	<u>\$67,700</u>	<u>-</u>	<u>1,209</u>	<u>66,491</u>
Total governmental activity						
long-term liabilities			<u>\$67,700</u>	<u>-</u>	<u>1,209</u>	<u>66,491</u>
						<u>1,267</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2007	\$ 1,267	3,158	4,425
2008	1,327	3,098	4,425
2009	1,390	3,035	4,425
2010	1,456	2,969	4,425
2011	1,525	2,900	4,425
2012-2016	8,783	13,342	22,125
2017-2021	11,078	11,047	22,125
2022-2026	13,970	8,155	22,125
2027-2031	17,618	4,507	22,125
2032-2036	8,077	576	8,653
Total	<u>\$66,491</u>	<u>52,787</u>	<u>119,278</u>

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-D. Long-term debt (continued)**

	<u>Original Principal</u>	<u>Rate</u>	<u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2006</u>	<u>Due Within One Year</u>
<b><u>Business-type activities:</u></b>							
CIB Bond 2002A	\$230,000	2.50	\$220,000	-	10,000	210,000	10,000
CIB Bond 2002B	200,000	-	<u>190,000</u>	<u>-</u>	<u>10,000</u>	<u>180,000</u>	<u>10,000</u>
<b>Total business-type activity long-term liabilities</b>			<b><u>\$410,000</u></b>	<b><u>-</u></b>	<b><u>20,000</u></b>	<b><u>390,000</u></b>	<b><u>20,000</u></b>

All bonds are revenue bonds secured by the revenues of the water systems

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 20,000	5,250	25,250
2008	20,000	5,000	25,000
2009	20,000	4,750	24,750
2010	20,000	4,500	24,500
2011	20,000	4,250	24,250
2012-2016	106,000	17,325	123,325
2017-2021	113,000	9,925	122,925
2022-2026	<u>71,000</u>	<u>2,075</u>	<u>73,075</u>
<b>Total</b>	<b><u>\$390,000</u></b>	<b><u>53,075</u></b>	<b><u>443,057</u></b>

Loa Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-B. Employee pension and other benefit plans**

Loa Town does not participate in the Utah State Retirement Plan.

**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Unaudited)**

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Loa Town  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**  
**(Unaudited)**  
 For the Year Ended June 30, 2006

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget Under (Over)
<b>Revenues</b>				
Taxes	\$85,700	96,700	108,568	(11,868)
Licenses and permits	7,290	7,290	5,507	1,783
Intergovernmental revenues	40,400	40,400	42,578	(2,178)
Charges for services	1,350	1,350	3,050	(1,700)
Interest	4,500	4,500	16,118	(11,618)
Miscellaneous revenue	<u>100</u>	<u>100</u>	<u>1,941</u>	<u>(1,841)</u>
<b>Total revenues</b>	<b><u>139,340</u></b>	<b><u>150,340</u></b>	<b><u>177,761</u></b>	<b><u>(27,421)</u></b>
<b>Expenditures</b>				
General government:				
Council	4,300	9,500	9,497	3
Administrative	33,100	48,015	47,965	50
Buildings	4,600	5,000	3,568	1,432
Public safety	7,600	8,775	8,269	506
Highways and public improvements	40,000	40,610	21,421	19,189
Parks and recreation	25,000	13,600	1,988	11,612
Cemetery	<u>5,500</u>	<u>5,600</u>	<u>3,497</u>	<u>2,103</u>
<b>Total expenditures</b>	<b><u>120,100</u></b>	<b><u>131,100</u></b>	<b><u>96,204</u></b>	<b><u>34,896</u></b>
<b>Excess (Deficiency) of Revenues Over (Under Expenditures)</b>	<b><u>19,240</u></b>	<b><u>19,240</u></b>	<b><u>81,557</u></b>	<b><u>(62,317)</u></b>
<b>Net Change in Fund Balances</b>	<b><u>\$19,240</u></b>	<b><u>19,240</u></b>	<b><u>81,557</u></b>	<b><u>(62,317)</u></b>
Fund balances - beginning of year			<u>266,915</u>	
<b>Fund Balances - end of year</b>			<b><u>\$348,473</u></b>	

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